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Message Text

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64
ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DODE-00 PA-04 USIA-15 PRS-01 IO-14 L-03 H-03

DRC-01 /178 W
---------- 068401
R 242055Z OCT 73
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 4030
INFO USCINCSO

C O N F I D E N T I A L BUENOS AIRES 7768

CINCSO FOR POLAD

E.O. 11652: GDS
TAGS: ECON, ETRD, ESTC, AR, CU, US
SUBJECT: TRADE WITH CUBA BY US FIRMS IN ARGENTINA.

REF: A. BUENOS AIRES 7362, B. STATE 198525

1. SUMMARY. EMBASSY HAS LEARNED FROM VARIOUS SOURCES THAT MEMORANDUM CURRENTLY CIRCULATING AT HIGH LEVELS OF GOA DESCRIBING UNWILLINGNESS OF US SUBSIDIARIES IN ARGENTINA EITHER TO RECEIVE CUBAN PURCHASING MISSION OR TO QUOTE PRICES WHEN REQUESTED BY MISSION. SOURCE INDICATE STRONG GOA REACTION AGAINST APPLICATION OF US EXPORT CONTROL LAWS IN MANNER CONSIDERED TO BE CONTRARY TO ARGENTINE NATIONAL INTEREST. END SUMMARY

2. AT LUNCH OCT 17 ARRANGED BY DCM TO INTRODUCE FRANK ORTIZ (NEW DIRECTOR ARA/APU) TO FONOFF UNDERSECY INTERNATIONAL ECONOMIC RELATIONS, AMB LEOPOLDO TETTAMANTI, LATTER RAISED CUBA TRADE FIRST IN CONNECTION WITH FONMIN VIGNES MEETING WITH SECY KISSINGER, ACKNOWLEDGING THAT HE UNDERSTOOD NATURE OF US LEGISLATION ON CONFIDENTIAL

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SUBJECT. HE WENT ON, HOWEVER, TO STATE THAT WHILE GOA WANTS TO AVOID HAVING THIS QUESTION BECOME AN ISSUE BETWEEN TWO GOVERN-MENTS, AT SAME TIME IT BELIEVES ARGENTINA HAS RIGHT TO TRADE WITH ALL NATIONS AND MOREOVER IT IS CONVINCED THAT UNDER PRESENT CIRCUM-

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STANCES ARGENTINE EXPORTS TO CUBA WILL PROVIDE MUCH NEEDED STIMULUS TO ARGENTINE ECONOMY. TETTAMANTI THEN SAID GOA IS DISPLEASED WITH BEHAVIOR OF US SUBSIDIARIES WHICH HAVE EITHER REFUSED TO RECEIVE CUBAN REPRESENTATIVES, OR DECLINED TO GIVE PRICE AND AVAILABILITY QUOTATIONS WHEN REQUESTED BY CUBAN MISSION. HE SAID GOA BELIEVES THESE FIRMS ARE MAKING A MISTAKE IF THEY FAIL TO RECOGNIZE RESPONSIBILITIES IMPLIED BY THE PRESENCE IN ARGENTINA AND THEIR STATUS UNDER ARGENTINE LAW. WHILE HE DID NOT MENTION "MEMORANDUM" OR OTHER STUDY ON SUBJECT, HE LEFT CLEAR IMPLICATION THAT GOA IS PREPARED TO TAKE SUCH MEASURES AS THEY DEEM NECESSARY TO FULFILL COMMITTMENTS TO CUBA.

3. US CITIZEN CHIEF EXECUTIVE OF GENERAL MOTORS ARGENTINA ADVISED EMBASSY THAT UNDERSECRETARY FOR FOREIGN COMMERCE, GABRIEL MARTINEZ, REFERRED TO MEMORANDUM DURING OCT 20 MEETING ON NEW LEGISLATION BEING DRAFTED BY MARTINEZ TO PROMOTE EXPORTS BY ARGENTINE PASSENGER CAR INDUSTRY. LAW REPORTEDLY WOULD SET PROGRESSIVELY LARGER EXPORT QUOTAS FOR EACH COMPANY OVER FOUR YEAR PERIOD AND PENALIZE COMPANIES NOT MEETING THIS QUOTA BY REDUCING NUMBER OF UNITS THEY SUBSEQUENTLY PERMITTED TO SELL WITHIN ARGENTINA. GM OFFICIAL SAID AFTER HE EXPLAINED TO MARTINEZ WHY GM COULD NOT MEET PROPOSED EXPORT QUOTA (NOT READY WITH NEW MODELS), MARTINEZ REFERRED TO MEMORANDUM, SAYING HE FOUND IT UNACCEPTABLE FOR COMPANIES TO CLAIM THEY UNABLE TO EXPORT, AND THEN, WHEN GOA FINDS A BUYER, REFUSE TO MAKE SALE OR EVEN OFFER TO SELL. MARTINEZ WENT ON TO SAY GOA COULD NOT PERMIT US LAWS TO BE "APPLIED IN ARGENTINA" IN THIS WAY, AND THAT THIS A MAJOR REASON WHY IT NECESSARY TO ELIMINATE FOREIGN CONTROL OF ARGENTINE INDUSTRY. MARTINEZ CLAIMED ECONOMIC MINISTER GELBARD SHARED THESE VIEWS. (GM REP TOLD US HIS COMPANY AMONG THOSE US SUBSIDIARIES WHICH HAVE NOT PROVIDED PRICE QUOTATIONS TO CUBAN BUYING MISSION.)

4. US CITIZEN CHIEF EXECUTIVE OF CHRYSLER IN ARGENTINA HAS ALSO ADVISED EMBOFF THAT IN DISCUSSIONS ON OCT 20 WITH SECRETARY FOR COMMERCE REVESTIDO, LATTER ALSO MADE REFERENCE TO MEMORANDUM CONFIDENTIAL

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CIRCULATING WITHIN GOA ON NON-COOPERATION OF US FIRMS IN ARGENTINE EXPORT SALES TO CUBA. APPARENTLY, FLASHED COPY OF MEMORANDUM BEFORE CHRYSLER EXECUTIVE WHEN STATING SIX FIRMS IDENTIFIED AS CULPRITS. CHRYSLER EXECUTIVE SAYS HE NOTED THAT GENERAL MOTORS, FORD AND GOODYEAR WERE ON LIST. WE SUSPECT ANOTHER MAY HAVE BEEN CLARK EQUIPMENT CO. (EXIMIA INDUSTRIAS CLARK ARGENTINA) BUT ARE LESS SURE WHICH OF OTHER US FIRMS MAY HAVE BEENIDENTIFIED. CHRYSLER HAS RECEIVED VISIT FROM CUBANS BUT HAS SO FOAR MANAGED TO AVOID DIRECT REQUEST FOR QUOTATIONS. HOWEVER THEY EXPECT REQUEST TO BE FORTHCOMING SOON.

5. ALTHOUGH EMBASSY DOES NOT HAVE CONFIRMATION ON BROADCAST,

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GELBARD IS REPORTED TO HAVE REFERRED TO THIS THEME IN RECENT
RADIO INTERVIEW, STATING HE AWARE OF UNWILLINGNESS OF US
SUBSIDIARIES TO DEAL WITH CUBA. THIS REPORT MAY HAVE ITS BASIS
IN PRESS INTERVIEW WHICH GELBARD GAVE TO SPANISH PRESS AGENCY,
EFE, WHICH EXCERPTED IN "CRONISTA COMMERCIAL" ON MORNING OF
SATURDAY OCT 20. PRESUMABLY INTERVIEWER MENTIONED RUMORS
STATING CERTAIN US FIRMS UNWILLING TO PRODUCE IN ARGENTINE
SUBSIDIARY FACILITIES PRODUCTIONS INTENDED TO FULFILL COMMERCIAL
AGREEMENTS SIGNED WITH SOCIALIST COUNTRIES. GELBARD REPORTED
RESPONSE AS FOLLOWS: "THAT IS CORRECT, THERE ARE COMPANIES
THAT HAVE COME HERE AND BECAME ESTABLISHED UNDER VERY GOOD
CONDITIONS, THAT ARE NOT ADAPTING THEMSELVES TO THE NEW
SITUATION AND ARE SHOWING SIGNS OF RESISTANCE. IT IS ALSO TRUE
THAT WE, FOR A LONG TIME, BELIEVED IT WOULD BE DESIRABLE IF
DECISION-MAKING POWER FOR THESE FIRMS RESTED IN THIS COUNTRY. WE
HAVE MADE CERTAIN ARRANGEMENTS WITH SOME COUNTRIES WITH PLANNED
ECONOMIES AND IT APPEARS THAT SOME COMPANIES OPERATING IN THIS
COUNTRY DO NOT WISH TO SELL TO THOSE COUNTRIES. WE HAVE THE
MEANS TO RESOLVE THIS PROBLEM BUT IT REALLY REVEALS HOW
COUNTRIES SUCH AS OUR MUST ESTABLISH AND MAINTAIN CONTROL OVER
THE COMPANIES."

6. THIS MATTER WAS SUBJECT OF CONSIDERABLE DISCUSSION AT MEETING
OF BOARD OF GOVERNORS, AMERICAN CHAMBER OF COMMERCE, OCT 22.
SEVERAL MEMBERS EXPRESSED CONCERN AT POSSIBILITY OF CONFRONTATION
ON CUBA TRADE BETWEEN USG AND GOA, WITH ADVERSE IMPACT ON
INTERESTS OF MANY US FIRMS OPERATING IN ARGENTINA, ESPECIALLY
AT TIME WHEN GOA HAS SHOWN SOME SIGNS OF WANTING TO CEMENT
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GOOD RELATIONS WITH USG. THERE WAS DISCUSSION OF POSSIBLE
JOINT CHAMBER ACTION, BUT IT WAS AGREED THAT MORE FACTS MUST BE
KNOWN FIRST. IT WAS SUGGESTED THAT ARGENTINE SUBSIDIARIES OF US
COMPANIES WHICH HAVE FACED SIMILAR PROBLEMS IN OTHER COUNTRIES
SHOULD BE ABLE TO FIND OUT FROM THEIR HOME OFFICES HOW THE PROBLEM
WAS HANDLED. SEVERAL MEMBERS SAID THEY PLANNED TO TELEX THEIR
HOME OFFICES IMMEDIATELY FOR THIS PURPOSE, AND WOULD REPORT BACK
TO CHAMBER.
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